



**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551**

**DIVISION OF BANKING
SUPERVISION AND REGULATION**

**SR 86-46 (FIS)
December 9, 1986**

**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

SUBJECT: Amendments to the Bank Secrecy Act

On October 27, President Reagan signed into law the Anti-Drug Abuse Act of 1986 ("Act"). This legislation provides for significant changes to the Bank Secrecy Act and, therefore, our supervisory responsibilities as discussed below.

The Act requires that each examination of an insured bank by the appropriate federal banking agency shall include a review of the recordkeeping and reporting procedures required by the Bank Secrecy Act. If the agency determines that the bank has failed to establish and maintain adequate procedures as required by the Bank Secrecy Act, or the bank has failed to correct any deficiencies with the procedures which were cited previously by the agency, the agency is compelled to issue a cease and desist order.

For each exemption from the reporting requirements that is granted after October 27 of this year, the financial institution must prepare and maintain a statement signed by the customer that verifies the accuracy of the information supporting the exemption. Please notify all state member banks and Edge corporations in your District of this requirement.

The Anti-Drug Abuse Act also provided for amendments to the Change in Bank Control Act. You were informed of these changes via a telegram dated October 29.

The federal banking agencies are required by the Act to prescribe regulations requiring insured banks to establish and maintain procedures reasonably designed to assure and monitor compliance with the Bank Secrecy Act. The federal banking agencies are in process of developing a regulation which must be effective no later than January 25, 1987.

At a recent meeting of the Bank Secrecy Act Interagency Working Group, consisting of representatives from the five federal financial institutions supervisory agencies, the Department of the Treasury, the Internal Revenue Service, the U.S. Customs Service, and the Securities and Exchange Commission, it was determined that examiners will no longer review copies of completed Currency Transaction Reports for completeness and accuracy during all Bank Secrecy Act compliance reviews. Instead, the Internal Revenue Service has agreed to inform the appropriate federal banking agency of financial institutions that have not filed the reports in a satisfactory manner, and will request that examiners review the reports of the identified institutions at the next examination for compliance.

In addition to the recent legislation, the Department of the Treasury has proposed other amendments to the Bank Secrecy Act. The comment period for these amendments expired November 24. Your Reserve Bank will be notified of any changes as soon as they become effective.

A copy of the Anti-Drug Abuse Act of 1986 and updated Bank Secrecy Act is enclosed. Please direct any questions you have to Richard Schriber at extension 2733.

**FREDERICK M. STRUBLE
ASSOCIATE DIRECTOR**

Enclosures